THE GREAT EASTERN SHIPPING COMPANY LIMITED

63rd ANNUAL REPORT 2010-11

Caring for the seas.
Caring for the seabed.

Dry Bulk Carrier : Jag Rahul

Crude Oil Carrier : Jag Leela

Jack Up Rig : Greatdrill Chetna

Multipurpose Platform Supply and Support Vessel :
Greatship Mamta

Chairman's Statement

Dear Shareholders,

The term "volatility" has long been associated with the shipping industry and in the recent years, it has clearly defined the course of the bulk shipping business.

The key issue faced by the industry is the relentless fleet addition that is taking place in both the dry bulk as well as the tanker sector. To absorb this kind of fleet addition, we will either need to see more aggressive scrapping of older ships or a meaningful pickup in tonne mile demand.

In addition to the pressure from the supply side, the industry is also constantly facing short term "volatility" in freight rates on account of geopolitical tensions as well as weather disruptions. The ongoing crisis in the MENA (Middle East & North Africa) region and the floods in Australia are typical examples of this. Such incidents cause further downward pressure on freight rates leading, in some instances, to earnings at levels that barely cover operating costs. This kind of an environment has been deeply challenging and has seriously impacted the financial health of many ship-owners globally.

For the last couple of years, I have been emphasizing the need for your company to brace itself for tough times ahead whilst recognizing the need to stride ahead with a view to creating long-term shareholder value. I am happy to report that your company has steered the course admirably with this vision in mind.

On the shipping portfolio, the company has adopted a 'wait and watch' mode whilst it has expanded more aggressively in its offshore business. Today, the shipping portfolio constitutes approximately 60% of your company's business while the offshore business, in a short span of about 5 years, constitutes the balance 40%. Within the next 18 months or so and basis our committed expansion, the offshore portfolio of your company will nose ahead of the shipping portfolio in terms of capital employed. The strategic investment made by your company in its oil and gas subsidiary (Greatship (India) Limited) has now started delivering fruitful results. This year, this business has added Rs.211.22 crores to our consolidated net profit providing a return in excess 18% on our investment in this business in equity as well as preference shares.

Over the next 2 years, Greatship (India) Limited will be adding an additional 7 new state-of-the-art vessels together with a newly built jack-up rig to add to an already existing fleet of 17 multifaceted support vessels and 2 jack-up rigs. With the oil prices hovering around USD 100 per barrel mark, the global E&P activities worldwide are expected to significantly gain momentum providing exciting opportunities for your company. With a view to capitalize on these opportunities, your company is entering into new territories clinching landmark deals to create its image as a world-class offshore oil field support and logistic company.

For the financial year 2010-11, your company recorded a net profit of Rs.468.70 crores on a consolidated basis. The company's cash and cash equivalent on a consolidated basis amounted to Rs.3,125 crores resulting in a net debt equity ratio of 0.47:1 as on 31st March 2011. Keeping in mind this comfortable debt to equity position, the Board of Directors declared a total dividend of Rs.8/- per share for the year thereby significantly enhancing its pay-out ratio.

I take this opportunity to thank all our customers for their unstinted support extended during these extraordinary times. Needless to say, sailing through these rough seas would not have been possible without the dedication and faith exhibited by all my colleagues both on shore and on board particularly so in meeting their paramount objective of safety of life, cargo and environment. Finally, I am, as ever, grateful to the Government of India as well as the regulatory authorities for their continuous support.

With warm regards,

K. M. Sheth
Executive Chairman

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Notice

NOTICE is hereby given that the Sixty Third Annual General Meeting of THE GREAT EASTERN SHIPPING CO. LTD. will be held at Rama Watumal Auditorium, K. C. College, Churchgate, Mumbai 400 020 on Friday, August 05, 2011 at 03.00 p.m. (I.S.T.) to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2011 and the Profit and Loss Account for the year ended on that date together with the Auditors' and Directors' Report thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Ms. Asha V. Sheth, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. Keki Mistry, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

   "RESOLVED THAT M/s. Kalyaniwalla & Mistry, Chartered Accountants (Registration No. 104607W) be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

By Order of the Board

Jayesh M. Trivedi
Company Secretary

Mumbai, May 06, 2011

Registered Office:
Ocean House, 134/A
Dr. Annie Besant Road
Worli, Mumbai 400 018

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The instrument appointing a Proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time of holding the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from July 29, 2011 to August 05, 2011 (both days inclusive).
4. The dividend declared at the Meeting will be made payable on or after August 05, 2011, as applicable, in respect of shares held in physical form to those Members whose names appear on the Register of Members of the Company after giving effect to all valid share transfers lodged with the Company on or before the end of business hours on July 28, 2011 and in respect of shares held in the electronic form to those 'Deemed Members' whose names appear in the statement of Beneficial Ownership furnished by the National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL) as on that date.
5. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the 40th dividend for the year 1993-94 paid by the Company on October 5, 1994 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the Dividend Warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, C/o. Central Government Office Building, A Wing, 2nd Floor, Next to Reserve Bank of India, CBD Belapur 400 614.
6. Consequent to the amendment to Sub-section (5) of Section 205A vide Companies (Amendment) Act, 1999, the Company has transferred the unclaimed dividend for the year 2002-2003 (49th final dividend) and 2003-2004 (50th interim dividend) to the Investor Education and Protection Fund. All unclaimed dividend for the year 2004-2005 (50th final dividend) will be due for transfer to the Investor Education and Protection Fund on July 25, 2011. Shareholders who have not encashed the Dividend Warrants for the said period are requested to claim the amount from the Company's Share Department at the Registered Office of the Company on or before July 20, 2011.

Information as required under Clause 49 (IV)(G) of the Listing Agreement in respect of Directors being re-appointed.

(A) MS. ASHA V. SHETH

Ms. Asha V. Sheth is a B.A. from Isabella Thoburn College, U.P. She was invited to be a Director on the Board of the Company in the year 1992-93. She is the wife of Late Mr. Vasant J. Sheth who was the Founder Director and later on Chairman of the Company who subsequently steered the growth of the Company till 1992 when he expired. The Company decided to have a Foundation namely Vasant J. Sheth Memorial Foundation (VJSM) in his memory and Ms. Asha V. Sheth was invited to be the Chairperson of the Foundation. Significant activities of the Foundation are in the area of Shipping and Maritime affairs.

As on date Ms. Asha V. Sheth holds 21,24,081 Equity Shares of the Company. She is a member of the Shareholders / Investors' Grievance Committee of the Company.

(B) MR. KEKI MISTRY

Mr. Keki Mistry is a Chartered Accountant and a Fellow Member of the Institute of Chartered Accountants of India. Mr. Keki Mistry is the Vice Chairman and Chief Executive Officer of Housing Development Finance Corporation Limited (HDFC). HDFC is India's premier and largest well managed, world class housing financial institution and has turned the concept of housing finance for the middle class into a profitable, well managed and world class enterprise. Mr. Keki Mistry joined HDFC in October 1981. Prior to HDFC, Mr. Keki Mistry worked in the Indian Hotels Co. Ltd.

Besides his responsibilities within HDFC, Mr. Keki Mistry has been deputed on consultancy assignments to the Commonwealth Development Corporation (CDC) in Thailand, Mauritius, Caribbean Islands and Jamaica to review and evaluate the operations of mortgage financial institutions in these countries. He has also worked as a Consultant for the Mauritius Housing Company in Mauritius and for the Asian Development Bank on the feasibility of establishing a secondary mortgage market in India.

Mr. Keki Mistry has attended overseas training programmes and conferences on housing related subjects.

As on date Mr. Keki Mistry holds 640 Equity Shares of the Company.

Apart from the Company, Mr. Keki Mistry is also on the Board of Directors of the following public limited companies:

1. Housing Development Finance Corpn. Ltd.
2. HDFC Asset Management Co. Ltd.
3. HDFC Standard Life Insurance Co. Ltd.
4. HDFC ERGO General Insurance Co. Ltd.
5. Gruh Finance Ltd.
6. Infrastructure Leasing & Financial Services Ltd.
7. Sun Pharmaceutical Industries Ltd.
8. Greatship (India) Ltd.
9. Next Gen Publishing Ltd.
10. Shrenuj & Company Ltd.
11. Torrent Power Ltd.
12. Bombay Stock Exchange Ltd.

Apart from being a Chairman of the Audit Committee of the Company, Mr. Keki Mistry is also a member of the following committees:

NAME OF THE COMPANY	NAME OF THE COMMITTEE	MEMBER/CHAIRMAN
HDFC Standard Life Insurance Co. Ltd.	Audit Investment	Member Member
HDFC ERGO General Insurance Co. Ltd.	Audit Investment	Member Member
HDFC Asset Management Co Ltd.	Audit	Member
Gruh Finance Ltd.	Audit Remuneration	Member Member
Infrastructure Leasing & Financial Services Ltd.	Audit Share Transfer Remuneration	Member Member Member
Sun Pharmaceutical Industries Ltd.	Audit	Chairman
Greatship (India) Ltd.	Audit	Chairman
Shrenuj & Company Ltd.	Audit	Member
Torrent Power Ltd.	Audit	Chairman

Board of Directors

K. M. Sheth EXECUTIVE CHAIRMAN
Bharat K. Sheth DEPUTY CHAIRMAN & MANGING DIRECTOR
Asha V. Sheth
Cyrus Guzder
Keki Mistry
Vineet Nayyar
Berjis Desai
K. V. Kamath
Ravi K. Sheth EXECUTIVE DIRECTOR

COMMITTEES

AUDIT COMMITTEE	SHAREHOLDER/INVESTORS' GRIEVANCE COMMITTEE	REMUNERATION COMMITTEE
Keki Mistry CHAIRMAN	Cyrus Guzder CHAIRMAN	Cyrus Guzder CHAIRMAN
Cyrus Guzder	Bharat K. Sheth	Berjis Desai
Berjis Desai	Asha V. Sheth	

Jayesh M. Trivedi COMPANY SECRETARY

REGISTERED OFFICE	SHARE TRANSFER AGENT	AUDITORS
Ocean House 134/A, Dr. Annie Besant Road Worli Mumbai 400 018	Sharepro Services (India) Pvt. Ltd. 13A/B, Samhita Warehousing Complex, 2nd floor Sakinaka Telephone Exchange Lane Off Andheri-Kurla Road, Sakinaka, Andheri (E) Mumbai 400 072	Kalyaniwalla & Mistry Kalpataru Heritage 127, Mahatma Gandhi Road Mumbai 400 001

Risk Management

The Company views managing risk as an integral part of its operations. The objective of the risk management is to strike a balance between pursuing growth and business opportunities, and the need to manage the fluctuations in freight rates, currencies and other markets, along with maintaining operational and safety standards.

The Company has identified risks in the following broad categories:

1) Technical or Operational risk: This is the risk associated with the operation and safe running of the ships. These are managed by having stringent measures for quality and safety of people and cargo on board. Constant training and focused development to upgrade the skills on board is done so that the employees are fully geared to meet all possible challenges.

2) Market risk: The Company is operating in the tramp shipping business and owns crude and product tankers and dry bulk carriers, a significant portion of which are operated on the spot market. This relates to risk due to change in freight markets, bunker prices and counterparty risk. While management of fluctuation in freight rates is possible through long term charters, Contracts of Affreightment, etc., fluctuation in bunker prices can be offset through hedging transactions or by taking fixed price contracts with suppliers. Counterparty risk can be minimized by dealing with large, well reputed and good credit names.

3) Financial markets and liquidity risk: This is the risk associated with the financial position and cash flows of the Company. Liquidity risk may arise from inability to meet financial obligations, including loan repayments and payments for vessel acquisitions. This is dealt with by keeping low leverage, as a result of which the Company is able to borrow even in challenging markets. It is also mitigated by keeping substantial liquidity at all times, which enables the Company to capitalize on any opportunities that may arise. Financial market risk may arise on account of exchange fluctuations, change in interest rates, etc. Since the majority of the revenues of the Company are denominated in US dollars, there is a translation risk as the Company has to report its financial performance in INR. Also, since most of the External Commercial Borrowings (ECBs) raised by the Company are based on floating rate, the Company is exposed to changes in interest rates. These risks are managed by actively hedging the net open Forex exposure and the floating/fixed rate liability.

Risk Management Strategy of the Company

- The Company has traditionally used a mix of long term time charters, contracts of affreightments to de-risk the revenues to some extent. For the year ended March 31st 2011, the Company has 53% of its revenues from time charters and 47% from spot charters.

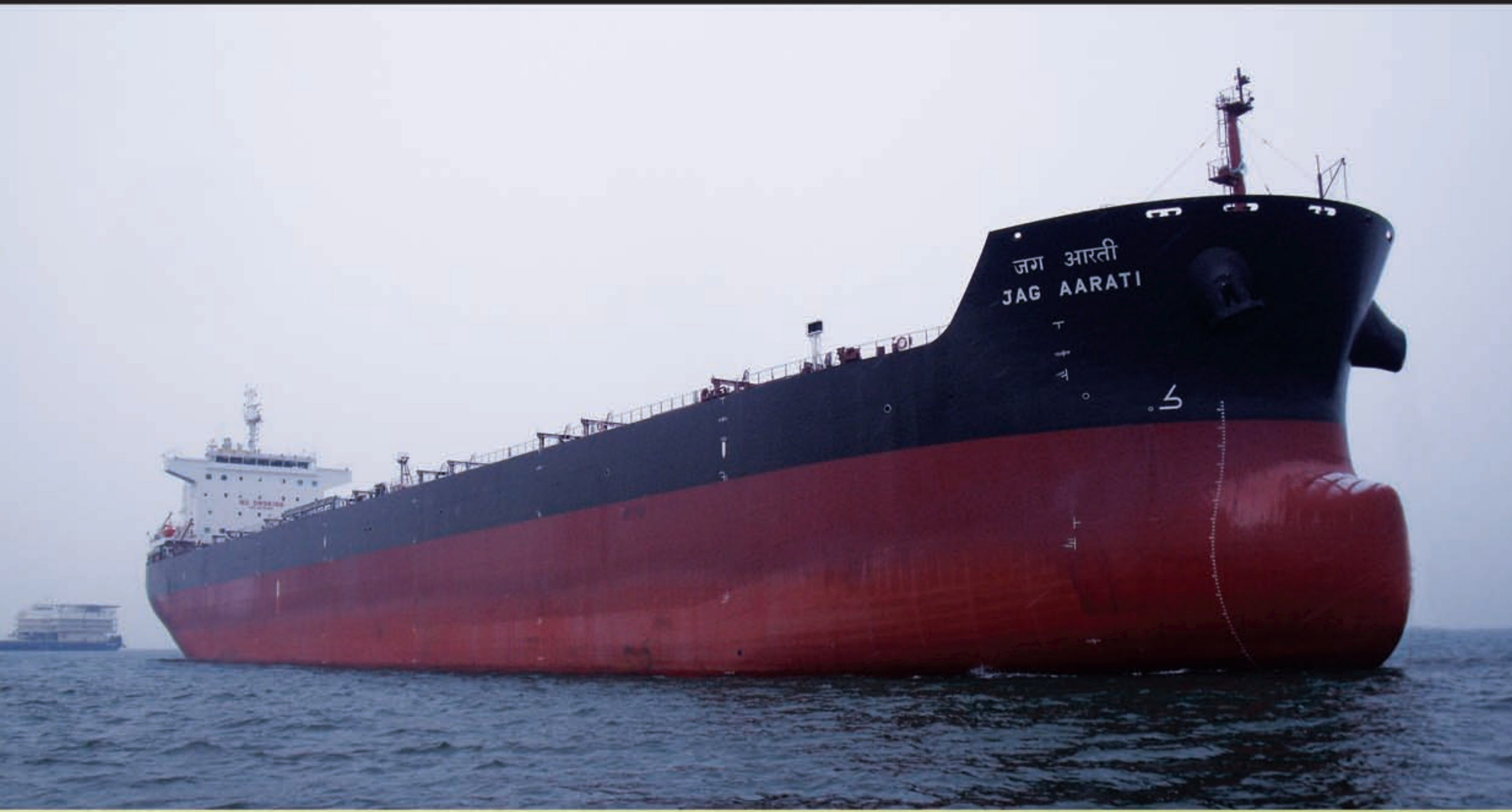
- As on March 31st 2011, 76% of the Company's loan portfolio was on fixed interest rates, and the balance 24% on floating rates.

- As on March 31st 2011, the Company has sold forward a total of USD 226.50 million for FY 2011-12 and USD 74 million for FY 2012-13.

- As on March 31st, 2011, the Company's gross debt equity ratio was 0.66:1 whilst its net debt equity ratio was 0.20:1

- As on March 31st, 2011, the Company had a balance of cash and cash equivalents totaling to Rs. 2504 crores, all in bank deposits and mutual funds.

Directors' Report



Jag Aarati - Kamsarmax Dry Bulk Carrier : Acquired in February 2011

Directors' Report

Your Directors are pleased to present the 63rd Annual Report on the business and operations of your Company and Audited Accounts for the financial year ended March 31, 2011.

FINANCIAL PERFORMANCE

The financial results of the Company for the financial year ended March 31, 2011 are presented below:

Rs. in Lakhs

	2010-11	2009-10
Total Income	**165928**	224539
Total Expenditure	**136407**	181343
Profit before tax	**29521**	43196
Less : Provision for Income Tax	**2800**	3915
Profit for the year after tax	**26721**	39281
Add/(Less): Prior period adjustments	**(75)**	294
Net Profit	**26646**	39575
Less: Transfer to Tonnage Tax Reserve Account under section 115VT of the Income-tax Act, 1961	**4000**	4000
	22646	35575
Add : Surplus brought forward from previous year	**288673**	271177
Amount available for appropriation	**311319**	306752
Appropriations:		
-Transfer to General Reserve	**2700**	4000
-Interim Dividend on Equity Shares	**5330**	-
-Proposed Dividend on Equity Shares	**6853**	12183
-Tax on Dividends	**1660**	1896
Balance Carried Forward	**294776**	288673

The total income for the year was recorded at Rs. 165928 lakhs as against Rs. 224539 lakhs in the previous year and a Net Profit after prior period adjustments of Rs. 26646 lakhs as against Rs. 39575 lakhs in the previous year.

DIVIDEND ON EQUITY SHARES

During the year, your Directors declared and paid interim dividend of Rs. 3.50/- per share resulting in an outflow of Rs.6215 lakhs (inclusive of tax on dividend).

Your Directors recommend a dividend of Rs. 4.50/- per share. The dividend will be paid after your approval at the ensuing Annual General Meeting. The aggregate outflow on account of the equity dividend for the year would be Rs. 13843 lakhs including tax on dividend. This represents a payout ratio of 51.95% (previous year 35.57%).